

DOCUMENT

A

From: Steve Mitchell [REDACTED] on behalf of [REDACTED]
Sent: Saturday, July 17, 2010 1:35 AM
To: [REDACTED]
Subject: FW: Meetings for the week of July 19
Attachments: image001.jpg

From: Chris Gronet [REDACTED]
Sent: Thursday, July 15, 2010 7:55 PM
To: Steve Mitchell
Subject: RE: Meetings for the week of July 19

Tried your cell earlier.

Yes, lots of catch up. Meeting with GSA is now set for next Wed. [REDACTED] will attend. I am hosting some French dignitaries on the same day.

We have 4 sales VPs in training on Monday (including [REDACTED])
We have good candidates coming in for 2 more segment leads (REITs, GH) assuming [REDACTED] continues with Utilities.

I spoke with [REDACTED] this afternoon. He is still thinking things over and plans to talk to [REDACTED] in the morning. [REDACTED] was in again today to meet with [REDACTED] and [REDACTED]. [REDACTED] likes him, believes he is a strategic thinker, but wonders if he can execute a strategy. Two references came back "average". So we will continue a worldwide search with [REDACTED].

[REDACTED] have searches going for Proj Dev and Proj Finance leads.

Chris Gronet
CEO
Solyndra, Inc.
47700 Kato Road
Fremont, CA 94538 USA
[REDACTED]

From: Steve Mitchell [REDACTED]
Sent: Thursday, July 15, 2010 1:01 PM
To: Chris Gronet
Subject: RE: Meetings for the week of July 19

He better be! How on earth have we not been a part of these projects from the beginning? Lots of catch up to do here. Let's get all over it.

From: Chris Gronet [REDACTED]
Sent: Thursday, July 15, 2010 2:49 PM
To: Steve Mitchell
Subject: FW: Meetings for the week of July 19

FYI below. 260 green projects in process for U.S. gov't buildings.

Jonathan Silver is trying to help.

[REDACTED] our VP Gov't Procurement, started last week, and I think he will be a star.

Chris Gronet
CEO
Solyndra, Inc.
47700 Kato Road
Fremont, CA 94538 USA
[REDACTED]

From: Silver, Jonathan [REDACTED]
Sent: Thursday, July 15, 2010 7:23 AM
To: [REDACTED]@gsa.gov; Chris Gronet
Cc: [REDACTED]@gsa.gov; [REDACTED]@gsa.gov; [REDACTED]@gsa.gov; [REDACTED]@gsa.gov
Subject: RE: Meetings for the week of July 19

[REDACTED]
Thanks for your note. You and your team are doing amazing things!
I am copying Chris Gronet here. Chris is the CEO of Solyndra and I know your two teams will have a lot to discuss.
Best,
Jonathan

Jonathan Silver
Executive Director
Loan Programs
US Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585
Phone: [REDACTED]
email: [REDACTED]

From: [REDACTED]@gsa.gov [mailto:[REDACTED]@gsa.gov]
Sent: Thursday, July 15, 2010 10:20 AM
To: Silver, Jonathan
Cc: [REDACTED]@gsa.gov; [REDACTED]@gsa.gov; [REDACTED]@gsa.gov; [REDACTED]@gsa.gov
Subject: Re: Meetings for the week of July 19

Jonathan: nice to hear from you. I'd heard you were at DOE.

We're installing a lot of solar, not to mention green roofs, efficient heating and cooling, etc. You probably know we got \$5.5B in Recovery Act funds mostly to upgrade and green our buildings; we have about 260 projects going.

Would be better for these people to meet our hands-on green project management people. I'll try to arrange. Can you

give me a point of contact for the Solyndra people and we'll contact them directly.



"Silver, Jonathan" [redacted]

To [redacted]@gsa.gov" [redacted]@gsa.gov>
cc

Subject Meetings for the week of July 19

07/14/2010 03:44 PM

[redacted]
Hope this finds you well.

As you may know, I am running the loan programs at the Department of Energy. We are responsible for the government's investments in all forms of clean energy: wind, solar, nuclear and the like. Very interesting.

One of our loan guarantee recipients is a company called Solyndra. They received a \$500 million loan guarantee from us to build a state of the art manufacturing plant in California. Solyndra makes an advanced solar roof top array for large commercial facilities and is now installed in locations all over the United states and Europe.

Members of management will be in DC next week and would like to come talk with you about government buildings.

Would you be willing to meet briefly with them? More on them below.

I would personally appreciate it.

Many thanks,

Jonathan

Jonathan Silver
Executive Director
Loan Programs
US Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585
Phone: [redacted]
email: [redacted]

[redacted] Senior Vice President, Corporate Development and General Counsel, and [redacted] Director of Government Relations at Solyndra would like to meet with you on July 21 or 22 to discuss policies that will increase government and military deployment of US-made solar panels. Solyndra manufactures 100% of its solar panels at its Fremont, California headquarters. Solyndra has one factory nearing full production, and received a \$535 million loan guarantee from the Energy Department to build a second factory in Fremont. That factory will produce 250 megawatts of solar panels per year, and will begin producing panels later this year. Solyndra currently employs 1000 people in Fremont; through its US-centered supply chain it draws materials from businesses in 20 states, creating hundreds of jobs throughout the country. Its second factory will create an additional 1000 jobs in Fremont and with its US suppliers. Solyndra's solar panels are comprised of a series of cylindrical glass tubes. They are ideal for low-load, large, flat roofs and perform optimally with a cool-roof, white roof membrane. Solyndra is one of the very few solar panel manufacturers reaching large-scale production in the US. The company would like to work with you to promote policies that increase the use of solar energy technology throughout the government, and especially within the military, as a key driver to grow a domestic solar panel market for US manufacturers. Specific policy objectives would include extending Buy American Act requirements to energy supply contracts pursuant to power purchase agreements, and replicating the significant green building and solar requirements in place for new Marine Corp construction throughout the military.

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Time to Investigate the DOE and Solyndra

By Greg Pollowitz

Posted on August 03, 2010 10:15 AM

Solyndra, the solar panel manufacturer that was awarded over \$500 million in taxpayer-funded loan guarantees, is in serious trouble. Last week they pulled their IPO and replaced their CEO and founder with an Intel executive who has no experience in the solar industry.

An excerpt from the *San Jose Mercury News* piece linked above:

Solyndra has received \$535 million in federal loan guarantees and \$970 million in an array of equity financing, primarily from venture capitalists.

The difficulties at Solyndra raise questions about why President Barack Obama's administration spent considerable taxpayer dollars to buoy a company that has begun to list.

"Solyndra made some miscalculations, the venture capitalists miscalculated, Energy Secretary Steven Chu miscalculated, and ultimately the Obama administration miscalculated," Wesoff said.

Bull. They didn't "miscalculate." The evidence was right in front of their noses when they made the investment, as I pointed out in March 2009. Here's the key question I asked back then:

4. Goldman Sachs downgraded the solar industry last year. *Barrons* reports from October 2008:

Solar stocks are trading sharply lower this morning after **Goldman Sachs analyst Michael Molnar** declared he has become cautious on the solar group, "as less generous subsidies combined with a wave of supply pose a real risk."

Molnar asserts in a research note that the risk of oversupply in the solar market "will soon become a reality as considerably less generous demand subsidies take hold just as a wave of supply and tight financing hit the market." He thinks that "liberal subsidies of the past in markets like Germany and Spain are unlikely to be replicated in the future given fears of their ultimate cost in a bad world economy."

As supply increases, he contends, prices will have to "adjust strongly downward to generate demand." He thinks that trend will lead to below-consensus estimates for module manufacturers and compressed valuations for stocks in the sector.

Since Goldman was advising Solyndra on this project, did anyone in Chu's Department of Energy question why taxpayers are guaranteeing the debt on a new solar plant for a market that Goldman's own analysts have downgraded? Has President Obama's election changed Goldman's view on alternative energy to the point that it is now recommending the sector?

I called it a "bailout" of Solyndra then and I stand by that. Except it was a bailout with no strings attached. It is an investment that should not have been made with our money. Chu should make public all due-diligence materials he and his department reviewed, including e-mails and copies of the numerous contracts Solyndra has signed with potential buyers, so the public can see how this Solyndra bailout happened.

PERMALINK

DOCUMENT

C

From: [REDACTED]
Sent: Tuesday, August 10, 2010 7:46 PM
To: [REDACTED]
Cc: [REDACTED] Brian Harrison; Steve Mitchell
Subject: RE: RE: NCPV Hotline - August 10, 2010

[REDACTED]

Getting business from Uncle Sam is a principal element of Solyndra's channel strategy. When Obama visited Solyndra in June, 2010, Chris Gronet spoke very openly to Obama about the need for installation of Solyndra's rooftop solar on U.S. government buildings. I heard Obama actually promise Chris that he would look into it when he returned to Washington. The point is that the government has to pay for energy no matter what. The capital funding to deploy a lot of rooftop solar on government buildings (say \$300million) just falls off the table in Washington anyway.

I also believe he [REDACTED] could act as a major change agent to get solar deployed as a cost parity play with the alternative GHG-belching coal-fired power plants. [REDACTED] could easily deploy more than 1 million people to this kind of mission. I recently agreed to work with [REDACTED] as a member of the Campaign Cabinet of the [REDACTED]. Working together with DOE, DOI and other agencies, we should be able to get a lot of Solyndra's rooftop solar deployed throughout the U.S government building/energy infrastructure. I'd like to get a storyline together with Solyndra to make a case for the U.S. Government adoption of Solyndra's product capability. We need to do a better job of telling our story in Washington especially as relates to the threat of competition from China, Inc. I am stunned by the lack of knowledge of our representatives in Washington about China's plans to "dump" pcSi solar in the U.S. market. This has been confirmed by Solyndra's Washington lobbyist, [REDACTED]

Best.

[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: Tuesday, August 10, 2010 10:30 AM
To: [REDACTED]
Cc: [REDACTED]
Subject: Fw: NCPV Hotline - August 10, 2010

[REDACTED]

Note that [REDACTED] got a 15 MW order at an Air Force base. Frankly I'm surprised, as those sites tend to be relatively unconstrained on space and so [REDACTED] is unlikely to be the low bidder. I wonder if 'buy American' rules held sway here. If so, might Solyndra prioritize federal government business, where it could have an 'unfair advantage'?

They may already be doing this, but if it's in fact an effective strategy, perhaps they ought to elevate its priority to the top. (No currency risk nor credit risk, either!). Do they have a salesperson who is specifically dedicated to gov't business? (Which, as you know, is a different animal than commercial sales).

DOCUMENT

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From: [REDACTED]
Sent: Saturday, September 18, 2010 8:48 PM
To: Steve Mitchell
Subject: FW: FW: White House Meeting
Attachments: image004.jpg

[REDACTED]

Notwithstanding the two attached requests/offers, I never even got the courtesy of a response. So, I assume they don't want my help.

i will be at the White House helping some of our other portfolio companies this coming week.

Can you give me any guidance about what is going on? I am happy to try you via cell phone whenever it works for you, if you prefer.

Best,

[REDACTED]

From: [REDACTED]
Sent: Thursday, September 09, 2010 10:34 PM
To: [REDACTED]
Cc: 'Brian Harrison'
Subject: White House Meeting

[REDACTED]

I will be back in Washington, DC on September 21 and 22, 2010. If I do schedule a meeting at the White House, are there some specific agenda items I can pursue on behalf of Solyndra? I am sure the subject of Solyndra will come up in any event. Please give me your guidance.

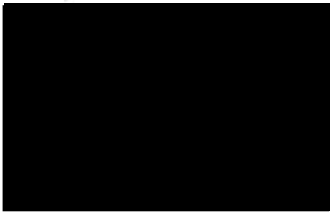
Best,

[REDACTED]

From: [REDACTED]
Sent: Friday, September 03, 2010 2:50 PM
To: Brian Harrison; [REDACTED]
Subject: FW:

Let me know when and if I can get a message to him in the WHouse.

[REDACTED]
Founder & Managing Director



From: Recos [REDACTED]
Sent: Friday, September 03, 2010 11:05 AM
To: [REDACTED]
Subject:

Hey [REDACTED] it's Rahm – great seeing you the other day, apologies that it was so short. If you are ever in DC please let me know.

DOCUMENT E

[REDACTED]

From: [REDACTED]
Sent: Wednesday, October 13, 2010 10:31 AM
To: [REDACTED]
Subject: Re:

Is there a scheduled meeting time on Friday? Place?

On Tue, Oct 12, 2010 at 4:34 PM, [REDACTED] wrote:
Hi All:

Are there any preliminary questions that you have for onward transmission to the team at Solyndra? I would like to send some questions over with the objective of scheduling a call for tomorrow afternoon so that the time on Friday can be used most efficiently. My proposal would be for a call immediately following the internal meeting tomorrow afternoon or maybe before.

[REDACTED]

----- Forwarded message -----

From: Bill Stover <[REDACTED]>
To: [REDACTED]
Date: Tue, 12 Oct 2010 14:15:35 -0400
Subject: RE: Solyndra advance materials

[REDACTED]

Good morning. In addition to the Adobe pdf file transmitted last evening, I'm attaching for your review our detail business model. Please confirm that you have been able to receive and open these materials. Let me know if you would like to set up a conference call in advance of our meeting on Friday.

Bill Stover

SVP, CFO

[REDACTED]

From: Bill Stover
Sent: Monday, October 11, 2010 11:27 PM

To: [REDACTED]
Cc: Brian Harrison; [REDACTED]
Subject: Solyndra advance materials

[REDACTED]

Consistent with your discussion with Brian Harrison last Friday, I am enclosing various materials that summarize the revised business plan Solyndra recommended to its Board of Directors late last week. As Brian indicated on the phone call, our situation has changed quite dramatically. There are essential matters of assistance that we will be discussing with your team in person this coming Friday. As background for the materials and our discussions, I thought it appropriate to provide an overview of the situation, what's changed, and essential governmental assistance.

Situation – With the arrival of Brian Harrison, newly-appointed President and CEO, the company undertook a comprehensive review of all elements of operations, industry conditions, and the state of our market development. The assessment largely concluded that manufacturing operations and the build out of Fab 2 were proceeding consistent with plan. However, industry competition was acknowledged to be as severe as presumed and demand creation for Solyndra's unique photovoltaic solution was deemed to be proceeding noticeably behind plan.

In the last weeks of the company's 3rd fiscal quarter (ended Oct 2nd), management determined that sales were likely to fall meaningfully short of forecast and that finished goods inventory would accumulate. The implications of lack of sell-through are quite significant, most directly on liquidity, but also as it relates to completing the company's private capital raise. We notified our investment bank of the 3rd quarter results, and received a quick determination that we would not be able to complete our private raise prior to year end as we had previously anticipated. The immediate implication of slower demand creation for our panels, and the inability to tap private capital markets is that the company will run out of the cash necessary to sustain operations in the first quarter of 2011. *Without access to FFB loan funds in October, November and December for work that has been completed, Solyndra would run out of cash in November.*

Our last business plan projected a very rapid build out of Fab 2; essentially tripling capacity in a year. Without assurance of demand for the rapidly scaling production capacity, and without firm commitments for an incremental \$300 Million of capital, the company was forced to consider various adjusted business plans. The objectives of these alternative analysis were to 1) minimize cash required while allowing time to stimulate demand, 2) accomplish the build out of Fab 2 Phase 1 and ensure debt service, and 3) position the company for longer term growth and value creation for all stakeholders. We will be prepared to discuss other plans with you, but believe the plan with a high confidence for success is the "Consolidation Plan" noted below. Two additional alternatives for which the Board was briefed were the continued rapid growth plan which required more capital than is readily accessible in the short

term, and a liquidation path should the company be unable to timely secure necessary partnering with multiple constituents, including DOE.

Consolidation Plan – The accompanying plan fundamentally changes the course of completing the Fab 2 Phase 1 capacity by redeploying existing Solyndra Fab 1 tools. Instead of Solyndra spending incremental capital to finish the tool build of certain of the remaining tools for lines 2 and 3, Solyndra will physically shut down manufacturing in Fab 1 over the course of several months, and move production tools into Fab 2. Such consolidation of operations allows Solyndra to most efficiently operate manufacturing. For the next two quarters, total production is lower which better matches near term production with market demand. Solyndra's cash requirements for labor and materials are meaningfully reduced. Under the Consolidation Plan, Solyndra will employ approximately 200 fewer people than we do today.

Assistance – We expect that the Consolidation Plan will allow us to optimize operations, raise additional capital, service our debt and successfully build our business, albeit at a more moderate scale. Detailed in the attached materials are two slides describing specific loan accommodations which are essential to making this Consolidation Plan work. For clarity, I note several:

- Continued access to the remaining FFB loan funds and restricted cash account in concert with completion of the full Phase 1 production capacity
- Delay in principal and interest payment schedule by one year
- No further interest payments until commencement of principal repayment
- Extension of the loan maturity to December 2019 (increase loan from 7 to 10 years)
- Removal of the requirement for \$30 Million cost overrun reserve account
- To the extent changes alter the credit subsidy cost, such incremental costs are satisfied through DOE budget

We have briefed our Board of Directors, key shareholders and noteholders regarding concessions that may be required by DOE to secure DOE's commitment to support the Consolidation Plan, including:

- Commitment to a fully-funded plan [\$150 Million]
- First priority security interest in all Solyndra, Inc. assets, including intellectual property

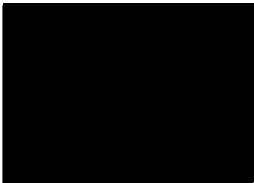
- Solyndra, Inc. guarantee of Fab 2 indebtedness

Please find attached a .pdf summary of the Consolidation Plan which incorporates all of the loan modifications proposed above.

Thank you tremendously for your investment of time and resources on these matters. Our team is available Tuesday between 12:00 pm - 2:00 pm Eastern time to brief you further on the materials. Additionally, we've set aside all of Wednesday to be responsive to your queries once you have had an opportunity to review the materials. Thursday will be a travel day for meetings in your offices on Friday.

Bill Stover

SVP, CFO



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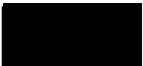
----- Forwarded message -----

From: Bill Stover

To: [Redacted] "Silver, Jonathan"

Date: Tue, 12 Oct 2010 02:27:00 -0400

Subject: Solyndra advance materials



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Bill Stover

SVP, CFO



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Thank you for your cooperation.

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BRIEFING MEMO

THE WHITE HOUSE
Washington

October 25, 2010

MEMORANDUM FOR THE PRESIDENT

FROM: CAROL BROWNER
RON KLAIN
LARRY SUMMERS

SUBJECT: Renewable Energy Loan Guarantees and Grants

Your advisors seek your direction on implementing the energy loan guarantee program. Three near-term risks characterize this program: rescission of non-obligated funds; criticism from Hill supporters and stakeholders for slow implementation; and making commitments to projects that would have happened anyway and thus fail to advance your clean energy agenda. In considering these risks, the Department of Energy supports a process that would limit OMB and Treasury review. OMB and Treasury support the establishment of clear policy principles for project review, recognizing that this may pose a risk that some program funds may not be obligated by the program's September 30, 2011 sunset date. We also believe you should consider working with Congress to reprogram loan guarantee funds for an extension of the Recovery Act's renewable grant program during the lame duck tax extenders debate. An expanded EDB, including Secretary Chu, will provide an opportunity to discuss the options described below with you tomorrow.

DISCUSSION

Background

The Recovery Act created two new programs to promote deployment of renewable power: the 1705 energy loan guarantee program and the 1603 grant in lieu of tax credit program.

1705 Energy Loan Guarantee Program: The Recovery Act appropriated about \$6 billion to enable the government to pay for the credit subsidies associated with loan guarantees for renewable energy (and related) projects. The credit subsidy can be thought of as the premium that must be paid for the insurance the government provides in guaranteeing the loan for a project. This program was intended to address concerns about tightening credit markets for renewable projects. It represents a modification of the existing 1703 loan guarantee program, which supports innovative technologies and covers renewables, nuclear, and advanced fossil. To date, the 1703 program has not received appropriations for credit

subsidies, thus requiring project developers to pay the government for the credit subsidy and thereby limiting the interest in the 1703 program among small renewable developers.¹

1603 Grant Program: Renewables developers may opt to convert the existing renewable investment tax credit, equal to 30 percent of a project's investment cost, into a grant. Before the financial crisis, renewable developers often partnered with large financials that had sizable taxable income and could use tax credits, i.e., provide "tax equity." This program addresses concerns about the capacity of the tax equity market for renewables through 2010.

Doubling Renewable Power Goal: Based on these Recovery Act programs, the Administration set a goal to double renewable power generation within three years. In 2009, the wind industry enjoyed its best year ever with nearly 10,000 megawatts of new installed capacity. Lawrence Berkley National Lab estimated that nearly one-quarter of this capacity would not have been built in the absence of the 1603 grant program. The 1705 loan guarantee program did not close any deals on renewable generation in 2009.

Summary of 1705 Loan Guarantee Program and 1603 Grant Program (through October 25)

	1705 Loan Guarantee	1603 Grant
Staff	100-200 FTE DOE staff and contractors	5 Treasury FTEs and 15 DOE FTEs
Determination of Receipt	Discretionary, reflecting deal characteristics and negotiations with sponsor	Standardized, subject to eligible technology entering into service
Typical length of review	6+ months	4-6 weeks
Program sunset date	September 30, 2011	December 31, 2010
Total number of projects (closed/conditional for 1705)	4 / 8	3,851
Number of wind power projects	1 / 1	203
Number of solar power projects	0 / 2	3,571
Number of geothermal power projects	1 / 1	23
Number of biomass power projects	0 / 0	25
Number of other technology projects	2 / 4	29
Number of states with supported projects	4 / 6	48 plus DC and PR
Total capacity installed (MW)	~80 / ~1,600	~8,600
Total investment supported	\$1.2 billion / \$7.6 billion	~\$18.2 billion

Note: Project sponsors for all power generation projects under the 1705 program have indicated that they intend to claim a 1603 grant once they enter into service.

¹ The 1703 program has made conditional commitments for the Southern Company's Vogtle nuclear power plant in Georgia and AREVA's Eagle Rock Enrichment Facility in Idaho.

Estimated Benefits of 1705 and 1603 to Renewables Developers: The combined effect of 1603 and 1705 lowers the cost of a new wind farm by about 55% and solar technologies by about half relative to a no-subsidy case (see appendix table 1). Renewables' intermittency problem limits the deployment of these technologies, which could be remedied by installing back-up capacity (likely increases the cost by 2 to 4¢/kWh). Past experience with the wind tax credit suggests that the 1603 grant and the associated tax credits could have a significant impact on new wind capacity. Appendix figure 1 shows (in shaded regions) the halt to new investment during the three times the wind tax credit expired since 1999.

Loan Guarantee Pipeline and Process: After receiving an application, DOE conducts extensive due diligence work on the technological, financial, credit, legal, contractual, environmental, and operational aspects of each project. This due diligence can take months to complete and often results in significant changes to the original transaction structure to mitigate identified risks. In addition to negotiating with the project sponsors, DOE also engages in a back-and-forth with OMB and Treasury, in particular after the deal package has been submitted for review. OMB review of DOE projects has averaged 28 calendar days since September 2009, and 17 business days for the 1 closing and 3 conditional commitments DOE has transmitted between August 1 and October 15 of this year. DOE notes that the back and forth consumes a significant amount of staff time, thereby making it challenging to move several transactions forward simultaneously. Policy review by Treasury and the White House has occasionally extended the amount of time a project is under review beyond the time taken by OMB to score a credit subsidy. Last week, DOE conducted an interagency preview of five projects, with the expectation that most of these could reach the conditional commitment stage within the next 4-8 weeks under the current review system. DOE currently has 35 projects in due diligence, and expects a significant number of new applications when two project solicitations close in the next few weeks. Since loan guarantee funds can only be obligated at closing, conditional commitments will need to occur in the first quarter of 2011 in order to close by September 30, 2011.

Legislative Implications

The Administration's approach to the renewable loan guarantee program and grants has implications for legislative activity, including the FY2011 appropriations (House mark is \$0, Senate mark is \$380 million for energy loan guarantee credit subsidies); the tax extenders bill in which some Members would like to extend the 1603 grant; and the FY2012 budget.

Risks Characterizing the Loan Guarantee Program

Rescission Risk: The 1705 loan guarantee program has been scaled back to about \$2.5 billion after reprogramming for Cash-for-Clunkers (May 2009) and the state aid package (August 2010). There has been recent interest in rescinding unobligated Recovery Act balances to pay for other programs. DOE has obligated about 2.5% of the \$2.5 billion in the 1705 program appropriations. An additional 9 projects have received 1705 conditional commitments, and if DOE closes these deals, the total obligations would be about \$500 - \$900 million.

Congressional Risk: Failing to make progress on renewables loan guarantees could upset the Hill (Sen. Bingaman, Speaker Pelosi), as well as renewables stakeholders, and draw criticism of the White House, which has been singled out as a roadblock on past loan guarantees.

Economic Risk: OMB and Treasury, which have statutory obligations to review 1705 loan guarantees, have raised implementation questions, including: “double dipping” – the total government subsidy for loan guarantee recipients, which have exceeded 60%; “skin in the game” – the relatively small private equity (as low as 10%) developers put into projects; and non-incremental investment – some loan guarantee projects would appear likely to move forward without the credit support offered by 1705 (including those projects that already exist and for which the loan guarantee simply provides a means for refinancing). See the appendix for an illustration of these issues with the Shepherds Flat project.

Energy Loan Guarantee Program Options

Option 1: Limit OMB and Treasury Oversight Role

In the current review process, after working with project sponsors for 6 to 18 months, DOE submits projects for review of the credit subsidy for conditional commitments and policy review by OMB and Treasury. DOE would prefer to eliminate the deal-by-deal review and instead have OMB and Treasury play roles akin to what they do for other credit programs, such as OPIC and Ex-Im Bank. It should be noted, however, that OPIC and Ex-Im credit programs have a long track record; OMB was more involved in the review of these programs in their early years; and they have boards with representation by other Federal agencies, including Treasury, that review and approve all major projects. DOE would make initial credit subsidy estimates at the conditional commitment stage, and OMB would only review and approve of the credit subsidy used at the time of closing on a deal.

Pros

- Some Members of Congress may applaud this effort, *if* it results in a meaningful increase in the rate of granting conditional commitments to energy projects.

Cons

- Still exposes 1705 program to rescission risk until DOE can move through its pipeline a lot more conditional commitments – up to twice as many in the next few months as have been made in first 20 months of the program.
- OMB believes that this approach will not remedy the challenge of an insufficient number of financially and technically viable projects in the 1705 pipeline.
- The economic risks will not likely be addressed.

Option 2: Make the Process Work Better by Establishing Clear Policy Principles

Treasury and OMB believe that clear policy principles – and associated metrics for evaluation – should be developed for the energy loan guarantee program. These principles would be applied to all projects and address issues like doubling dipping, skin in the game, and incrementality of investment (including refinancing). Those proposed loan guarantee projects that have satisfactory measures under each of the key policy principles would then be expedited through review. Those that do not would require more extensive policy review

and possible rejection. It is important to recognize that under such an approach, there is a risk that not all of the 1705 appropriation of \$2.5 billion will be obligated by the program's sunset of September 30, 2011.

Pros

- Ensures the economic integrity of government support for renewables.

Cons

- Exposes the program to rescission risk through September 30, 2011.
- Some Members of Congress may criticize this effort to limit the application of the loan guarantee program. The White House will bear this criticism.

Option 3: Reprogram 1705 Funds for an Extension of 1603 Grant Program

The 1603 grant program expires on December 31, although the associated tax credits that could be converted into grants under this program do not sunset until December 31, 2012. A 2-year extension of the 1603 grant program through the sunset of the associated tax credits has a \$2.5 billion tax score. The Administration could work with Congress during the lame duck on the tax extenders bill to reprogram the 1705 funds to pay for the 1603 extension. As a variant of this option, the funds could be reprogrammed to support other clean energy priorities, such as the 48C clean energy manufacturing tax credit.

Pros

- Moves funds to the 1603 program that has been much more effective in promoting renewable energy, and likely to have a more significant impact on renewable energy investment in 2011 and 2012.
- Reduces economic risks and the rescission risks identified above.

Cons

- Sen. Bingaman, who views 1705 as "his program," would strongly oppose.
- Could signal the failure of a Recovery Act program that has been featured prominently by the Administration.
- The reprogramming effort entails the risk that Congress accepts the 1705 rescission but fails to deliver the 1603 extension.

Option 4: Streamline and Accelerate OMB / Treasury Reviews with Project Prioritization

OVP supports an option that falls in possible middle ground between options 1 and 2. This approach would create an expedited deal review process, while not doing away with Treasury and OMB reviews altogether. One option to be explored would be to assign higher credit subsidy scores in order to reach faster agreement on the government's risk tolerance and to more quickly utilize the \$2.5 billion in appropriated funds. In addition, this approach could prioritize deals with more favorable policy characteristics (e.g., deals with lower total government subsidies). This option would prevent the holding of the loan guarantee program to a more rigorous policy standard in awarding stimulus funds than other Recovery Act programs. The focus would be on spending all remaining funds while maintaining the necessary risk avoidance and *prioritizing* policy issues where possible.

Pros:

- Parties with equities, including Hill members and industry groups, would view the Administration as supporting a program that they have spent political capital defending.
- This would be an attempt to fix a broken process, as opposed to a complete and unexpected overhaul which could engender criticism.

Cons:

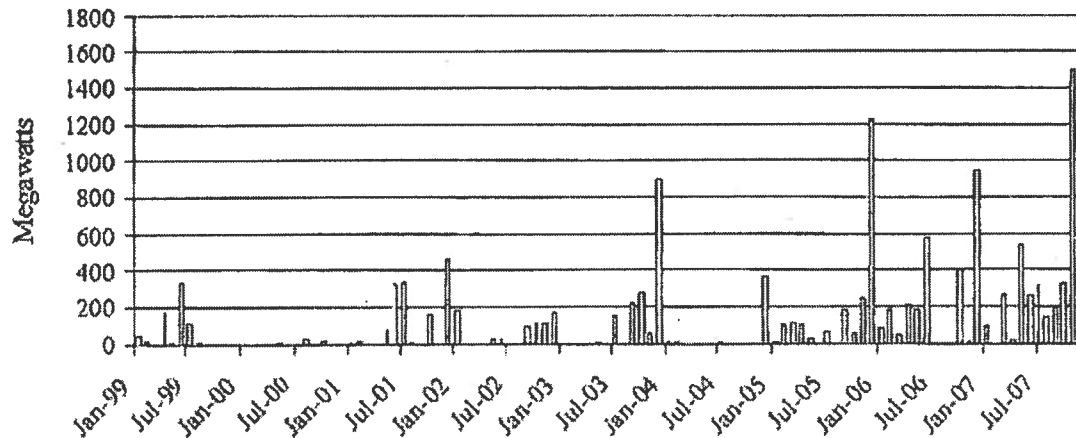
- DOE, OMB, and Treasury have tried to reach common ground on which to execute the program to date, and success has been limited.
- In order to spend the remaining budget authority, the policy principles may be so lax that this option may resemble Option 1 in practice.

Appendix Table 1: Cost of Generating Power from New Capacity Investment by Technology Type, ¢/kWh

	Natural Gas	Wind	Solar Thermal
No Subsidy Cost	7.3	8.8	23.2
Cost with 1603	7.3	6.7	16.0
Cost with 1603 and 1705	7.3	4.0	12.6

Source: DOE Energy Information Administration 2010.

Appendix Figure 1: U.S. Wind Capacity Additions and Periods of No Wind Tax Credit (shaded), 1999-2007



Source: Metcalf 2009 using DOE Energy Information Administration data.

Appendix: Shepherds Flat Loan Guarantee

The Shepherds Flat loan guarantee illustrates some of the economic and public policy issues raised by OMB and Treasury. Shepherds Flat is an 845-megawatt wind farm proposed for Oregon. This \$1.9 billion project would consist of 338 GE wind turbines manufactured in South Carolina and Florida and, upon completion; it would represent the largest wind farm in the country. The sponsor's equity is about 11% of the project costs, and would generate an estimated return on equity of 30%.

- Double dipping: The total government subsidies are about \$1.2 billion.

Subsidy Type	Approximate Amount (millions)
Federal 1603 grant (equal to 30% investment tax credit)	\$500
State tax credits	\$18
Accelerated depreciation on Federal and State taxes	\$200
Value of loan guarantee	\$300
Premium paid for power from state renewable electricity standard	\$220
Total	\$1,238

- Skin in the game: The government would provide a significant subsidy (65+%), while the sponsor would provide little skin in the game (equity about 10%).
- Non-incremental investment: This project would likely move without the loan guarantee. The economics are favorable for wind investment given tax credits and state renewable energy standards. GE signaled through Hill staff that it considered going to the private market for financing out of frustration with the review process. The return on equity is high (30%) because of tax credits, grants, and selling power at above-market rates, which suggests that the alternative of private financing would not make the project financially non-viable.
- Carbon reduction benefits: If this wind power displaced power generated from sources with the average California carbon intensity, it would result in about 18 million fewer tons of CO2 emissions through 2033. Carbon reductions would have to be valued at nearly \$130 per ton CO2 for the climate benefits to equal the subsidies (more than 6 times the primary estimate used by the government in evaluating rules).

DOCUMENT

G

[REDACTED]

From: [REDACTED]
Sent: Tuesday, October 26, 2010 5:32 PM
To: 'Browner, Carol M.'
Subject: RE: Internal announcement

Left you a VM on your cell

From: Browner, Carol M. [REDACTED]
Sent: Tuesday, October 26, 2010 5:30 PM
To: [REDACTED]
Subject: Re: Internal announcement

What is the announcement?

From: [REDACTED]
To: Browner, Carol M.; Klain, Ron; [REDACTED]
Sent: Tue Oct 26 17:19:59 2010
Subject: FW: Internal announcement

Let me know if you want to discuss.

From: Silver, Jonathan
Sent: Monday, October 25, 2010 10:01 PM
To: [REDACTED]
Subject: Fw: Internal announcement

Fyi
We should discuss in the morning.

Jonathan Silver
Executive Director
Loan Programs
U.S. Department of Energy


[REDACTED]

From: [REDACTED]
To: Silver, Jonathan
Sent: Mon Oct 25 21:38:49 2010
Subject: Fw: Internal announcement

FYI.

[REDACTED]

From: Brian Harrison <[REDACTED]>
To: [REDACTED]
Sent: Mon Oct 25 21:28:59 2010
Subject: Internal announcement



I hope that your meeting preparation with your inter-agency colleagues and Goldman is going well. The reason for this note is to make you aware that Solyndra has received some press inquiries about rumors of problems (one of them with quite accurate information) and we have received in bound calls from potential financial investors. Both of these data points indicate the story is starting to leak outside Solyndra. It is our view inside Solyndra that while not desirable from DOE perspective we need to internally announce to employees and with one selected press member on Thursday of this week, October 28. It is our belief that it is better for all parties to get in front of the story and control the messaging rather than get behind the story and on the defensive. So, I would like to go forward with the internal communication on Thursday, October 28. There will be no mention of the DOE.

Additionally, the meeting with Secretary Chu was a very good one. I did not have an opportunity to speak with him privately.

Regards, Brian

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If you are not the intended recipient, please notify us immediately by returning this message to the sender and delete all copies.

Thank you for your cooperation.

DOCUMENT

H

From:

Sent:

Wednesday, October 27, 2010 7:26 AM

To:

Ken Levit

Cc:

Subject:

Solyndra Conference Call

held a conference call this morning with existing investors to provide an update on discussions with the DOE and the fundraise process. Below is a summary of my notes from the call:

with DOE

officials visited Solyndra's facilities last week as part of their diligence in connection with restructuring the loan terms. The officials toured the production facilities and conducted meetings with Solyndra's management team. 80% of the discussion was focused on Solyndra's sales and marketing plan and how the DOE could underwrite Solyndra's projected sales volume. The DOE originally asked to see signed purchase orders, but management explained that there is nothing concrete - just a compilation of anecdotal evidence that Solyndra will be able to increase sales volumes through its new sales methods/channels.

is planning to draw on the DOE loan in November and December. Management stated that DOE officials have indicated the November draw should be approved, but it is likely they will need to see equity committed to the company prior to the December draw. It sounds like the DOE is primarily focused on not looking bad, and if they continue to fund while equity holders are unwilling to commit, they could look bad.

Process

DOE has a meeting with Goldman Sachs tomorrow to discuss the probability of fundraise success. Management thinks GS will tell the DOE that most the industrial companies are not interested (aside from Bosch which has requested more information), and they are just beginning to contact financial investors. I think this meeting could potentially prompt the DOE to ask for some commitment from investors prior to the November funding.

Layoffs

discussed their timeline for announcing layoffs. They currently expect to tell suppliers/customers/potential investors on Oct 27 and employees/press on Oct 28 (this Thursday). The DOE has requested a delay until after the election (without mentioning the election), but management believes they need to communicate as quickly as possible as rumors are rampant and many employees have left (Sept'10 employee churn was equal to total 2009 employee churn).

DOCUMENT

I

From: Steve Mitchell [REDACTED]
Sent: Saturday, October 30, 2010 2:40 AM
To: Ken Levit; George Kaiser
Subject: RE: One more DoD contact idea

Ken,

let's discuss tmrw and get Arnold talking with the right guys at Solyndra. We are also working with [REDACTED] two star general (retired) and [REDACTED] and [REDACTED] are helping to arrange something with [REDACTED]

I will send an update soon but the bottom line is that the DOE continues to be cooperative and have indicated that they will fund the November draw on our loan (app. \$40 million) but have not committed to December yet. They did push very hard for us to hold our announcement of the consolidation to employees and vendors to Nov. 3rd - oddly they didn't give a reason for that date.

Steve

From: Ken Levit [REDACTED]
Sent: Fri 10/29/2010 1:29 AM
To: Steve Mitchell; George Kaiser
Subject: One more DoD contact idea

[REDACTED] tonight gave me a great idea, to call and possibly enlist [REDACTED] who worked for [REDACTED] forever, ran [REDACTED] office for ten years, has run numerous study board for DoD, gives half his time to [REDACTED] re DoD and consults for other half. He really is a legendary expert on DoD and super-close to various of the Congressional and WH experts. It's a good idea. [REDACTED] would help make the intro.

DOCUMENT

J

From:

Sent:

To:

Subject:

Saturday, October 30, 2010 4:26 AM

Ken Levit

Re: did they do layoffs?

No announcement till after elections at doe request

From: Ken Levit

To:

Sent: Fri Oct 29 17:21:07 2010

Subject: did they do layoffs?

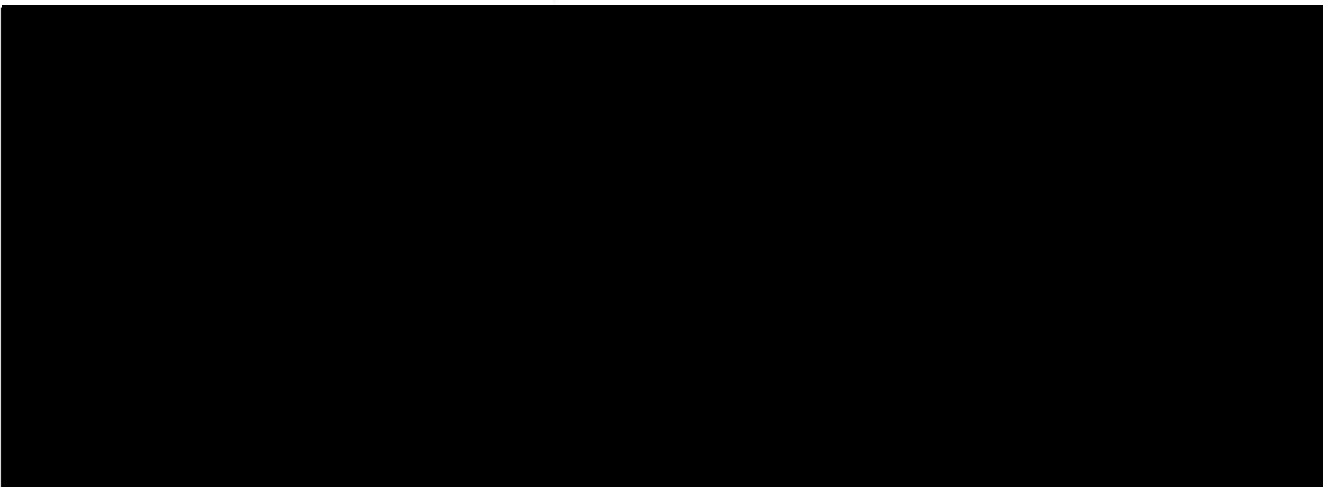
DOCUMENT

K

From: Ken Levit
Sent: Saturday, October 30, 2010 8:58 PM
To: [REDACTED]
Subject: RE: GKFF Portfolio Update 10/29/10

Kind of a big bummer.

From: [REDACTED]
Sent: October 30, 2010 3:43 PM
To: [REDACTED] Ken Levit
Cc: [REDACTED]
Subject: GKFF Portfolio Update 10/29/10



Solyndra

Fundraise Update - Solyndra is still in need of approximately \$150mm of outside equity capital by the end of the year. To date, the general level of interest from outside investors has been low which is signaling that raising outside funds by the end of the year will be tough. Goldman has been unsuccessful gaining traction with large industrial companies (with the exception of Bosch and GE who have requested more information but do not appear overly serious). Goldman began discussions with traditional private equity funds earlier this week and three firms, General Atlantic, Warburg Pincus, and SilverLake, have indicated interest. Solyndra also intends to contact other solar companies in the near future, but we cannot say with confidence that they will show any more interest than the investors contacted to date.

DOE Loan Restructuring - Solyndra management has had a series of meetings with the DOE over the past couple of weeks to discuss restructuring the existing DOE loan agreement. It appears that the DOE is willing to accommodate Solyndra's asks, but they appear to be concerned about "looking bad" if they continue to fund Solyndra while (1) equity owners don't support the company or (2) Solyndra fails to execute on their business plan. Solyndra plans to draw additional funds from the DOE in November and December, so it is critical to have their approval to maintain adequate liquidity. With respect to additional loan draws, management believes the November funding is effectively approved, but the December funding could be held up if the DOE feels uncomfortable about the prospects of additional capital. The DOE is also holding meetings with Goldman in order to understand the probabilities of a successful fundraise. This meeting could potentially impact the DOE's decision to allow the November or December fundings.

DOE officials visited Solyndra's facilities last week as part of their diligence in connection with restructuring the loan terms. The officials toured the production facilities and conducted meetings with Solyndra's management team. 80% of

the discussion was focused on Solyndra's sales and marketing plan and how the DOE could underwrite Solyndra's projected sales volume. The DOE originally asked to see signed purchase orders, but management explained that there is nothing concrete - just a compilation of anecdotal evidence that Solyndra will be able to increase sales volumes through its new sales methods/channels.

Layoff Announcement - Management discussed their timeline for announcing layoffs. They recently decided to delay the announcement date from 10/28 until 11/3 per the DOE's request. Management is eager to announce the company's revised plans because rumors are rampant and employee churn is increasing substantially (Sept'10 employee churn was equal to total 2009 employee churn). The current plan is to lay off about 100 part-time factory workers and 50 full time factory workers (in connection with the consolidation of Fab 1 into Fab 2). In approximately 6 months, management plans to lay-off another 50-100 R&D focused employees.

Next week we will send an update on the fundraising progress with the financial sponsors mentioned.

